

Service Date: April 18, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	
of ENERGY WEST, INCORPORATED,)	
for Authority to Issue 100,000 Shares)	
of Stock Related to its Dividend)	
Reinvestment Plan, for Authority to Issue)	UTILITY DIVISION
100,000 Shares of Stock Pursuant to a)	
Private Placement of Stock and for Authority)	DOCKET NO. D97.3.44
to Issue 200,000 Shares of Stock as part))	
of its Incentive Stock Option Plan and for)	DEFAULT ORDER NO. 5975
Authority to Issue 100,000 Shares of Stock)	
Associated with its Deferred Compensation)	
Plan for Directors.)	

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FINDINGS OF FACT

On March 17, 1997, Energy West Incorporated (EWST) filed with the Montana Public Service Commission its application pursuant to §§ 69-3-501 through 69-3-507, MCA, seeking authority to issue 100,000 shares of stock related to its Dividend Reinvestment Plan, authority to issue 100,000 shares of stock pursuant to a private placement, 200,000 shares of stock in connection with its Incentive Stock Option Plan and 100,000 shares of stock in connection with its Deferred Compensation Plan for Directors.

The application included copies of the Incentive Stock Option Plan and the Deferred Compensation Plan for Directors. Shares of stock related to the Dividend Reimbursement Plan have been previously approved by the Commission in Docket No. 89.3.3, Order No. 5401. This application simply requests authorization for additional shares under the plan.

The purposes for the respective plans are stated in the respective plan documents. With respect to the Dividend Reimbursement Plan, the Company is responding to requests of its shareholders to utilize their dividends to increase their ownership of Company shares. Such plans are a relatively common component of a utility's financing plan and shareholder relations plan. The purposes of the Incentive Stock Option Plan are to increase employee ownership of EWST stock with the expectation that this will

increase productivity of employees and to allow the company to compete for qualified employees. The purposes of the Deferred Compensation Plan are to provide for the highest level of Director performance and to attract capable candidates to serve on the Company's board.

The use of funds raised by the stock to be issued pursuant to the application is to finance the Company's ongoing construction program in its multistate operation and to retain its capital structure in the range of its targeted 50 percent equity level.

This application is governed by MCA 69-5-504 which requires that the Commission find that the transactions are in the public interest; that they are permitted under that section of the statutes, that the aggregate amount of the securities outstanding and proposed to be outstanding would not exceed the fair value of the properties and business of the public utility.

The aggregate amount of securities outstanding and proposed to be outstanding do not exceed the fair value of the properties and business of Energy West Incorporated.

After consideration of the application including the above stated facts, the Commission makes the following:

CONCLUSIONS OF LAW

1. Energy West Incorporated, is a public utility furnishing natural gas service to customers in the communities of Great Falls, Ulm and West Yellowstone, Montana. It also owns a natural gas distribution system in Cody, Wyoming and vaporized propane systems in Cascade, Montana and Payson, Arizona. It is subject to the jurisdiction of this Commission pursuant to § 69-3-102, MCA.

2. Section 69-3-501, MCA et seq. provides for the regulation of issuance of securities and the creation of liens by gas and electric utilities including the following requirements: (a) the transaction be in the public interest; (b) the purposes of the securities be consistent with those sections of MCA; and (c) the aggregate amount of the securities outstanding and proposed to be outstanding would not exceed the fair value of the properties and business of the public utility.

3. The proposed issuance of securities is consistent with the requirements of law stated in the immediately preceding conclusions of law.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of Energy West, Incorporated, filed on March 17, 1997, to issue 100,000 shares of stock related to the Company's Dividend Reinvestment Plan, 100,000 shares of stock pursuant to a private placement, 200,000 shares of stock as part of its Incentive Stock Option Plan and 100,000 shares of stock associated with its Deferred Stock Plan for Directors is approved.

2. Issuance of this Order shall not be interpreted as any indication of the ratemaking treatment to be accorded to the Company in future rate proceedings. Approval of the transactions authorized shall not be construed as precedent to any future action of this Commission.

3. Section 69-3-507, MCA, provides that neither the issuance of securities by Energy West, Incorporated pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed.

4. This Order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 14th day of April, 1997, by a vote of 5- 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY McCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.